



**OFFICE OF COUNCILMEMBER TODD GLORIA
OFFICE OF COUNCILMEMBER DONNA FRYE**

CITY OF SAN DIEGO

M E M O R A N D U M

DATE: May 21, 2009

TO: City Auditor Eduardo Luna

FROM: Councilmember Todd Gloria, Third Council District
Councilmember Donna Frye, Sixth Council District

SUBJECT: Request for Capital Improvements Program Performance Audit

Todd Gloria
Donna Frye

The purpose of this memorandum is to request that a performance audit of the City of San Diego's Capital Improvements Program (CIP) be included in your Fiscal Year 2010 work plan. As defined, a performance audit independently and systematically examines evidence to assess the performance and management of a program against objective criteria. Performance audits provide information to improve program operations and facilitate decision-making. This is particularly critical during dire fiscal circumstances in which the City is forced to balance important capital improvements against other pressing needs. Although the CIP has been effective in designing and constructing a wide range of infrastructure projects and other significant capital investments, we have great concerns about the Program's overall effectiveness and ability to execute projects as expected.

As the City continues to make significant investments toward deferred maintenance and Americans with Disabilities Act (ADA) obligations, and as we continue to borrow money, sell assets, and compete for grant funding to address these needs, we must ensure that the system in place for managing and executing capital projects is reliable and accountable. Our experienced delay in completing approved projects undermines the public's confidence in the City's ability to get things done. The City also faces risk of losing federal matching funds and loss of value of the funds as the cost of construction materials increases by more than the interest the funds generated.

We have closely examined the CIP process and we have also received feedback from some City staff, stakeholders and residents who are equally concerned that the City's

current system for capital improvements is not ideal and that cost-savings and efficiencies can certainly be achieved with reform. We believe we can take much-needed steps to improve accountability, speed processes, and strengthen project management. With these changes, there is a great opportunity to really begin to address our infrastructure needs and reduce the City's estimated \$900 million backlog of deferred maintenance projects.

We respectfully request that you identify whether or not the system in place effectively manages, prioritizes, monitors and reports on capital improvement projects. We also ask that the audit examine how the processes have evolved as there have been many procedural changes with reorganizations and Business Process Reengineering efforts.

In addition, we would ask that you provide recommendations for reform of the CIP. We are particularly interested in performance measures for the Program and are concerned about the Program's ability to deliver on its promises, the lack of prioritization used to initiate and execute projects, the timeliness of the delivery, and most important, the City's capacity to manage and complete this workload. Most recently, the City has increased capital improvements funding by reducing expenditures and earmarking new revenue sources. The number of projects approved has also increased, especially in the past few years. However, the City apparently has not increased its capacity to manage additional projects. In fact, it has reduced staffing, resulting in increasing amounts of capital appropriations being rolled into the next year's spending authority. We are curious to know the amount of unspent capital appropriations essentially sitting in the bank.

We truly believe that this performance audit will inform us how best to effectively and efficiently continue to rehabilitate, improve, and increase the City's capital facilities.

Thank you for your prompt attention to this matter.

TG:pi

cc: Mayor Jerry Sanders
City Councilmembers
Audit Committee Members
Andrea Tevlin, Independent Budget Analyst
Jay Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Department Directors